

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>MANISTEE COUNTY ROAD COMMISSION</b>	County <b>MANISTEE</b>
Audit Date <b>9/30/04</b>	Opinion Date <b>11/9/04</b>	Date Accountant Report Submitted to State: <b>3/31/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed		
	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>WILSON WARD CPA FIRM</b>			
Street Address <b>PO BOX 205</b>	City <b>INTERLOCHEN</b>	State <b>MI</b>	ZIP <b>49643</b>
Accountant Signature <i>Wilson Ward CPA Firm</i>			Date <i>3/31/05</i>

MANISTEE COUNTY  
ROAD COMMISSION

MANISTEE, MICHIGAN

AUDIT REPORT

For the Year Ended  
September 30, 2004

Wilson, Ward CPA Firm  
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November 9, 2004

Mr Jerry Peterson  
Manistee County Road Commission  
Manistee Mi 49660

Mr. Peterson

The fiscal year just ended was very significant in terms of the borrowing of funds and the construction of the new building. The agency has been able to continue providing a quality service, but should be more fiscally aware. The bonds which are by law borrowed through the County have been included in these financial statements to adequately show the debt of the Manistee County Road Commission.

Our Responsibility under Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with general accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Manistee County Road Commission. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Manistee County Road Commission are listed in Note 1. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into the Manistee County Road Commission during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, of transactions for which there is a lack of authoritative guidance or consensus.

### Management Judgements and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

### Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Manistee County Road Commission that could potentially cause future financial statements to be materially misstated, even though we have concluded such adjustments are not material to the current financial statements. Our audit adjustments, individually and in the aggregate, have a significant effect on the financial reporting process.

Specific comments on specific areas noted during this year's audit:

#### Compliance

COMMENT: The existing accounting systems use little budgeted financial management information.

RECOMMENDATION: The new applications to the existing systems have made a significant improvement in all areas. They allow for separate detailed information via the distribution report and current review of this detail. A change in emphasis to include a working real budget and the following financial management should be instituted as soon as possible. This is especially important with the onset of the large debt service requirements of the bond.


#### Internal Controls

COMMENT: Our tests indicate a good segregation of duties to support the accounting activities. However, the absence of cross training of any type leave the Manistee County Road Commission in a difficult position should key personnel not be available to continue.

RECOMMENDATION: All personnel should be capable of completing all functional areas within accounting. The internal control can then be strengthened through an irregular change of function while still having adequate security.

We appreciate the opportunity to provide the audit service to the Manistee County Road Commission. The staff are very cooperative and the environment is a positive one. The new facility will also contribute positively to the organization. Thank you.

Sincerely,



David E. Wilson

MANISTEE COUNTY ROAD COMMISSION, MICHIGAN

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# **FINANCIAL SECTION**

REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the  
Manistee County Road Commission

We have audited the general purpose financial statements of the Manistee County Road Commission as of and for the year ended September 30, 2004, and have issued our report thereon dated November 9, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered Manistee County Road Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control over financial reporting. We noted no matters involving the internal control over financial reporting and its operation that we consider to be reportable. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Manistee County Road Commission, in a separate letter dated November 9, 2004.

***Compliance***

As part of obtaining reasonable assurance about whether Manistee County Road Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to management of the Manistee County road Commission in a separate letter dated November 9, 2004.

This report is intended solely for the information and use of the audit committee, management, and the Board and is not intended to be and should not be used by anyone other than these specified parties.

*Wilson Ward CPA Firm*

Interlochen, MI  
November 9, 2004

**GENERAL PURPOSE  
FINANCIAL STATEMENTS**



INDEPENDENT AUDITOR'S REPORT

To the Manistee County Road Commission  
Manistee County, Michigan

We have audited the accompanying financial position of the Manistee County Road Commission, a component unit of Manistee County, as of September 30, 2004, and the related statements of activities for the year then ended. These financial statements are the responsibility of Manistee County Road Commission, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Manistee County Road Commission, as of September 30, 2004, and the changes in net assets thereof and the budgetary comparison for each major fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management discussion and analysis and required budgetary comparison information identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 9, 2004 on our consideration of Manistee County Road Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Wilson Ward CPA Firm*

Interlochen, MI  
November 9, 2004

## MANAGEMENT'S DISCUSSION & ANALYSIS

### INTRODUCTION:

The Manistee County Road Commission (MCRC) is a special purpose government body engaged in a single government program of road maintenance and construction in the County of Manistee, Michigan. The adoption of Governmental Accounting Standards Board Statement Number 34 (GASB-34) has changed the MCRC financial statement presentation. In the past, governmental entities were required to report financial information only on the modified accrual accounting method. The modified accrual method of accounting focuses on current available resources and is referred to as governmental fund level accounting. Now, in addition to the governmental fund level information, governmental entities are also required to report financial information on the full accrual method of accounting. The full accrual method of accounting focuses on the entity as a whole and is referred to as government-wide level accounting. For MCRC, the most significant differences between the governmental fund statements and the government-wide statements relate to capital assets (buildings & equipment) and infrastructure (roads & bridges). Capital assets and infrastructure are not recognized as assets and capitalized at the governmental fund level.

With respect to the Statements of Net Assets and Activities, the fund level financial statements and the government-wide financial statements have been combined and are presented on the same page.

The audited financial activities of MCRC are presented herein. These statements include the following:

Statement of Net Assets.

Statement of Revenues, Expenditures and Changes in Net Assets.

Combined Balance Sheet.

Combined Balance Sheet, of all Fund Types and Account Groups and Discreetly Presented Component Units.

Reconciliation of the Balance Sheet Fund Balance to the Statement of Net Assets.

Combined Statement of Revenues, Expenditures and Changes in Net Assets.

**Note:** *Construction of a New Centralized Facility (Work in Progress) was underway and will be presented in its entirety upon completion in Fiscal Year 2005.*

**MANISTEE COUNTY ROAD COMMISSION**  
**Combined Statement of Revenues, Expenditures and Changes in Fund Balance**  
**All Governmental Fund Types**  
For the Year Ended September 30, 2004

	2003 Total Governmental	2004 Total Governmental
<u>Revenues</u>		
State	4,583,905	5,245,380
Township	492,647	353,794
Other	168,665	775,197
Total Revenues	<u>6,374,371</u>	<u>6,374,371</u>
<u>Expenses</u>		
Current	5,096,313	7,723,269
Depreciation	1,276,321	1,710,913
Total Expenditures	<u>6,372,634</u>	<u>7,859,684</u>
Excess Revenue (Expenditures)	<u>1,737</u>	<u>(1,485,313)</u>

**Manistee County Road Commission**  
**Condensed Statement of Net Assets**  
As Of September 30, 2004

	2003 Governmental Activities	2004 Governmental Activities
<u>Assets</u>		
Current Assets	\$1,933,984	\$5,827,663
Capital Assets - Net	\$18,940,208	17,547,962
Work In Process	0	1,883,594
Total Assets	<u>20,874,192</u>	<u>25,259,219</u>
<u>Liabilities</u>		
Current Liabilities	240,936	1,119,913
Long Term Debt	484,907	4,867,892
Total Liabilities	<u>725,843</u>	<u>5,987,805</u>
<u>Net Assets</u>		
Capital Fixed Assets- Net	18,583,932	17,296,695
Restricted		3,117,120
Unrestricted	1,564,417	(1,142,401)
Total Net Assets	<u>20,148,349</u>	<u>19,271,414</u>
Total Liabilities and Net Assets	<u>\$20,874,192</u>	<u>\$25,259,219</u>

#### ADDITIONAL COMMENTS:

The Total Net Assets for the Government-wide Financial Statements increased by \$158,364 during the fiscal year ended September 30, 2004. The majority of the increase reflects an investment in new capital assets, i.e. road improvements and equipment purchases, greater than the expenses associated with capital assets, such as depreciation and maintenance for the year.

During 2004, the Total Net Assets for the Fund financial Statements decreased by \$876,935 which was primarily due to expenditures related to the new building.

Management believes that the Net Assets balance provides sufficient working capital to support future operations of MCRC.

#### BUDGET:

The MCRC budget is prepared in accordance with state law using the modified accrual accounting basis. This is the same accounting basis used for the governmental fund.

#### ANALYSIS OF BUDGET:

##### ORIGINAL BUDGET VERSUS AMENDED BUDGET:

The 2004 budget was adopted October 10, 2003. The budget is reviewed periodically and amended as information becomes available or management's plans change. The amended budgeted revenue was increased by approximately \$206,800. This increase is due to the following:

*State Trunkline Projects:* During 2004, the Road Commission contracted with the State of Michigan Department of Transportation (MDOT) to do several projects. The MCRC is required to record all work done for MDOT and MDOT pays the MCRC for all work performed on their behalf.

*Township Contributions:* When the original budget was adopted the Road Commission did not expect to do as much work for townships as actually occurred.

#### CAPITAL ASSETS AND LONG-TERM DEBT:

MCRC has capital assets for full accrual accounting purposes, net of accumulated depreciation, in the amount of \$18,940,208. This amount, net of related debt is \$18,583,932. This information, which includes infrastructure, is summarized below:

**CAPITAL ASSETS:**

Land and Improvements	\$ 239,977
Buildings	1,679,823
Equipment	
Road	6,681,164
Shop	209,230
Office	100,187
Engineers	106,044
Yard and Storage	823,699
Depletable Assets	24,065
Infrastructure	<u>27,313,356</u>
Total Capital Assets	37,177,545
Accumulated Depreciation	<u>(19,629,583)</u>
Net Capital Assets	\$ 17,547,962

**CAPITAL ASSETS, NET OF RELATED DEBT:**

Net Capital Assets	\$ 17,547,962
Related Debt - Bonds Payable	<u>(237,239)</u>
Capital Assets, Net of Related Debt	<u>\$ 17,310,723</u>

Additional information regarding capital assets is located in the Notes to the Financial Statements.

**OTHER:**

The Manistee County Road Commission has broken ground on a new administrative, engineering and vehicle maintenance facility in Bear Lake, Michigan. Currently, the MCRC operates from two facilities; one in Kaleva and the other near Manistee, Michigan. Upon completion, management expects to sell both properties and operate solely from the Bear Lake location. Management believes this change will increase efficiency and reduce overall costs of operations. In the near future, the MCRC will seek funding to pay for this new building in the form of bonded debt.

Management is not aware of any other currently known facts, decisions, or conditions that would be expected to have a significant effect on Manistee County Road Commission's financial condition next year and beyond.

**COMPARATIVE ANALYSIS:**

A comparative financial statement analysis is provided to permit better analysis.

**Manistee County Road Commission**  
**Statement of Net Assets**  
As Of September 30, 2004

	Governmental Activities	Business-Type Activities	Total Governmental Funds
<b>Assets</b>			
Cash and Equivalents	\$4,103,675	\$0	\$4,103,675
Investments	100,000	0	100,000
Accounts Receivable	934,790	0	934,790
Inventory	330,346	0	330,346
Prepaid Insurance and Deferred	358,852	0	358,852
Total Current Assets	5,827,663	0	5,827,663
Capital Assets - Net	17,547,962		17,547,962
Work In Process	1,883,594		1,883,594
	19,431,556		19,431,556
<b>Total Assets</b>	<b>25,259,219</b>		<b>25,259,219</b>
<b>Liabilities</b>			
Accounts Payable	31,518	0	31,518
Accrued Salaries & Wages	51,023		51,023
Equipment Purchase Advance	120,696		120,696
State Trunkline Maintenance Advance	41,812		41,812
Township Advance	0		0
Accrued Construction Cost	850,453		850,453
Accrued Interest	19,411		19,411
Performance Deposit	5,000		5,000
Bonds Payable	4,727,239		4,727,239
Long Term Debt	0		0
Compensated Absences	140,653		140,653
Total Liabilities	5,987,805	0	5,987,805
<b>Net Assets</b>			
Capital Fixed Assets- Net	17,296,695		17,296,695
Restricted	3,117,120	0	3,117,120
Unrestricted	(1,142,401)		(1,142,401)
Total Net Assets	19,271,414	0	19,271,414
<b>Total Liabilities and Net Assets</b>	<b>\$25,259,219</b>	<b>\$0</b>	<b>\$25,259,219</b>

**MANISTEE COUNTY ROAD COMMISSION**  
**Statement of Revenues, Expenditures and Changes in Net Assets**  
For the Year Ended September 30, 2004

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions	Primary Government	
						Governmental Activities	Business-type Activities
Primary government							
Public safety	\$0				\$0		\$0
Public works	5,521,008	680,616	4,538,013		(302,379)	(302,379)	(302,379)
Health and Recreation	0				0		0
Community and Economic Development	0				0		0
Depreciation on Fixed Assets	1,710,913				(1,710,913)	(1,710,913)	(1,710,913)
Interest on Long Term Debt	33,662				(33,662)	(33,662)	(33,662)
Total Primary Government	7,265,583	680,616	4,538,013	0	(2,046,954)	0	(2,046,954)
Unrestricted Earnings							
Miscellaneous					353,794		353,794
Transfers					801,948	0	801,948
					14,277		14,277
Total General Revenue-Special Items and Transfers					1,170,019	0	1,155,742
Changes in Net Assets					(876,935)	0	(876,935)
Net Assets - Beginning					20,148,349	0	20,148,349
Net Assets - Ending					\$19,271,414	\$0	\$19,271,414

**MANISTEE COUNTY ROAD COMMISSION**  
**Balance Sheet**  
As Of September 30, 2004

	Governmental Fund Types			
	General	Capital Project Fund	Other Non Major Funds	Total Governmental
<u>Assets</u>				
Cash and Equivalents	\$116,691	\$3,872,140	\$114,844	\$4,103,675
Investments	100,000			100,000
Accounts Receivable	934,790			934,790
Inventory	330,346			330,346
Prepaid Insurance and Deferred	358,852			358,852
 Total Assets	 1,840,679	 3,872,140	 114,844	 5,827,663
<u>Liabilities and Fund Balance</u>				
Liabilities				
Accounts Payable	31,518			31,518
Accrued Salaries & Wages	51,023			51,023
Accrued Interest Payable			19,411	19,411
Accrued Construction Cost		850,453		850,453
Equipment Purchase Advance	120,696			120,696
State Truckline Maintenance Advance	41,812			41,812
Township Advance	0			0
Performance Deposit	5,000			5,000
 Total Liabilities	 250,049	 850,453	 19,411	 1,119,913
Fund Balances:				
Reserved for Equipment Replacement		3,021,687		3,021,687
Reserved for Debt Service		0	95,433	95,433
Reserved for Inventory	330,346			330,346
Unreserved	1,260,284			1,260,284
Total Fund Equity	1,590,630	3,021,687	95,433	4,707,750
 Total Liabilities and Fund Balance	 \$1,840,679	 \$3,872,140	 \$114,844	 \$5,827,663



**MANISTEE COUNTY ROAD COMMISSION**  
**Combined Statement of Revenues, Expenditures and Changes in Fund Balance**  
**All Governmental Fund Types**  
For the Year Ended September 30, 2004

	Governmental Fund Types			Total Governmental
	General Funds	Capital Project Fund	Other Non Major Fund	
<u>Revenues</u>				
Motor Vehicle Funds	\$3,575,743			\$3,575,743
Urban	343,367			343,367
State	1,326,270	0		1,326,270
Federal	0			0
Township	353,794			353,794
Other	772,802	2,395		775,197
Total Revenues	6,371,976	2,395	0	6,374,371
<u>Expenses</u>				
Current	6,226,277	1,477,581	19,411	7,723,269
Debt Payment		3,127	133,288	136,415
Total Expenditures	6,226,277	1,480,708	152,699	7,859,684
Excess Revenue (Expenditures)	145,699	(1,478,313)	(152,699)	(1,485,313)
Operating Transfers In	0	0	248,132	248,132
Operating Transfers (Out)	248,132			248,132
Depreciation Distributed				
Proceeds from Debt	0	4,500,000		4,500,000
Fund Balance/Retained Earnings - Beginning of Year	1,693,063	0	0	1,693,063
Fund Balance/Retained Earnings - End of Year	\$1,590,630	\$3,021,687	\$95,433	\$4,707,750

MANISTEE COUNTY ROAD COMMISSION

RECONCILIATION OF THE BALANCE SHEET FUND BALANCE  
TO THE STATEMENT OF NET ASSETS  
For the Year Ended September 30, 2004

Total Governmental fund balance	\$4,707,750
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Amounts report for governmental activities in  
the Statement of Net Assets are different:

Capital Assets	19,431,556
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Long Term Liabilities	
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Bonds Payable	(4,727,239)	
Compensated Absences	(140,653)	<u>(4,867,892)</u>

Net assets of governmental activities	\$19,271,414
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RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2004

Net change in fund balance - total governmental funds	\$3,014,687
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Capital Outlays reported as expenditures	1,883,594	
Depreciation	<u>(1,710,913)</u>	172,681

Repayment of Installment Purchases	119,037
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Changes in Compensated Absences & prior period	316,660
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Debt financing reported as income not long term debt	<u>(4,500,000)</u>
	(\$876,935)

**Manistee County Road Commission**  
**Notes To Financial Statements**  
**Year Ended September 30, 2004**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Manistee County Road Commission (Road Commission) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Manistee County Road Commission .

Effective October 1, 2002, the Manistee County Road Commission implemented the provisions of GASB Statement No. 34 (GASB 34), *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. Certain significant changes in the statements include the following:

- ☐ A Management Discussion and Analysis (MD&A) section providing an analysis of the Road Commission's activities, including infrastructure (roads, bridges, etc.).
- ☐ Financial statements prepared using full accrual accounting for all of the Road Commission's activities.
- ☐ A change in the fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements).

**A. Reporting Entity**

The Manistee County Road Commission , which is established pursuant to the County Road Law (MCL 224.1), is governed by a three member Board of County Road Commissioners appointed by the County Board of Commissioners. The Road Commission may not issue debt without the County's approval and property tax levies are subject to County Board of Commissioners' approval.

The criteria established by the Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if the component unit data was not included. Based on the above criteria, the financial statements present the Manistee County Road Commission as a discretely presented component unit of Manistee County.

The Road Commission Operating Fund is used to control the expenditures of Michigan Transportation Fund monies distributed to Manistee County, which are earmarked by law for street and highway purposes. The Board of County Road Commissioners is responsible for the administration of the Road Commission Operating Fund.

## **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the activities of the Manistee County Road Commission. There is only one fund reported in the government-wide financial statements.

The Statement of Net Assets presents the Road Commission's assets and liabilities with the difference being reported as either invested in capital assets, net of related debt, or restricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customer or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for the Operating Fund (governmental fund). The Operating Fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. Major individual governmental funds are reported as separate columns in the fund financial statements.

## **D. Assets, Liabilities, and Net Assets or Equity**

### **Cash, Cash Equivalents and Investments**

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair market value.

### **Inventories**

Inventories consisting of equipment parts and supplies of \$237,703 and road materials of \$107,176 are stated at cost based on the weighted-average cost method. Inventory items are charged to equipment repairs and operations and to road construction and maintenance as used.

### Prepaid Assets

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expense in both the government-wide and fund financial statements. Prepaid Interest at September 30, 2004 was \$82,888.

### Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads and bridges), are reported in the government-wide financial statements. The Manistee County Road Commission defines those assets with initial individual cost of more than \$200 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

GASB 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed or substantially rehabilitated since fiscal years ending after June 30, 1980 be inventoried and capitalized. The Manistee County Road Commission has retroactively capitalized all of its assets as required effective October 1, 2002.

### Depreciation

Depreciation is computed on the sum-of-the-years'-digits method for road equipment and the straight-line method for all other assets. The estimated useful life of the assets is from 5 to 50 years.

### Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

### Compensated Absences (Accumulated Unpaid Vacations and Sick Leave)

The total accumulated unpaid vacation and sick pay liability of the Manistee County Road Commission at September 30, 2004 was \$140,653. The amount was determined to be a long-term liability in its entirety and is, therefore, reflected as a non-current liability on the government-wide statements. A liability for these amounts is only reported in the government funds for known terminations as of year end.

Manistee County Road employees earn vacation and personal leave in varying amounts depending on the number of years of service. Accumulated vacation may not exceed the total earned for any given year per the union contract. Non-union employees are also subject to the vacation provisions embodied in the union contract. Unpaid vacation and personal leave at September 30, 2004 amounted to \$49,352.

Sick leave is accumulated at the rate of one day for each month of service with accumulation not to exceed 170 days. The policy also provides that employees who separate from employment with the Manistee County Road Commission will be paid for their accumulated sick leave up to a maximum of sixty (60) days.

Effective December 1, 1994, the above sick leave program was replaced with one which each full-time employee shall be given sixty-four to seventy-two hours of short-term leave annually which may be used through out a given fiscal year. In the first pay period of December each year all unused time shall be paid and none is accumulated.

#### Fund Balance

The Manistee County Road Commission reserves those portions of fund equity which are legally segregated for a specific future use which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity that is available for appropriation in future periods. Fund equity reserves have been established for inventories.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### **NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### Budgetary Procedures

Budgetary procedures are established pursuant to PA 621 of 1978, as amended, (MCL 141,421) which requires the County Board of Road Commissioners to approve a budget for the County Road Fund. Pursuant to the Act, the Manistee County Road Commission's chief financial officer prepares and submits a proposed operating budget to the Board of Road Commissioners for its review and consideration. The budget is submitted to the County and included in its public hearing. For purposes of meeting emergency needs of the Manistee County Road Commission, transfer of appropriations may be made by the authorization of the Clerk. Such transfers of appropriations must be approved by the Manistee County Road Commission at its next regularly scheduled meeting. During the year, the budget is monitored and amendments to the budget resolution are made as deemed necessary. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

### Budget Violations

Expenditures that exceeded appropriations by material amounts are as follows:

	Budget	Actual	Variance
Road Commission	5,352,200	6,555,239	(1,203,039)

### **NOTE 3 - CASH DEPOSITS AND INVESTMENTS**

The cash and investments are classified by GASB Statement No. 3 in the following categories:

	Carrying Value
Bank Deposits (Checking, Savings and CDs)	116,591
Investments	100,000
Petty Cash and Cash on Hand	<u>100</u>
Total	216,691

### Legal Provisions

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, states that the Manistee County Road Commission, by resolution, may authorize the Treasurer to invest surplus funds as follows:

1. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
2. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).
3. In commercial paper rate at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
4. In United States government or federal agency obligation repurchase agreements.
5. In bankers' acceptances of United States banks.
6. In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Manistee County Road Commission's insured deposit amount results from the County Road Fund meeting certain specified criteria under FDIC regulations. The risk disclosures for the Manistee County Road Commissions deposits, as required by Governmental Accounting Standards Board (GASB) Statement No. # 3 are as follows:

	Insured	Uninsured
Bank Deposits (Checking, Savings and CDs)	116,591	16,591
Investments	100,000	0
Petty Cash and Cash on Hand		100
Total	216,591	16,691

#### **NOTE 4 - PENSION PLAN**

The Manistee County Road Commission participates in a defined benefit retirement plan administered by the Municipal Employee's Retirement System (MERS). The plan covers substantially all full-time employees.

MERS is a multiple-employer statewide public employee retirement plan created by the State of Michigan to provide retirement, survivor and disability benefits, on a voluntary basis to the State's local government employees in the most efficient and effective manner. MERS is a non-profit entity, which has the responsibility of administering the law in accordance with the expressed intent of the Legislature and bears a fiduciary obligation to the State of Michigan, the taxpayers and the public employees who are its beneficiaries.

MERS issues a financial report, available to the public, which includes financial statements and required supplementary information for the system. A copy of the report may be obtained by writing to MERS at 447 N Canal Road, Lansing, Michigan 48917.

All full time Manistee County Road Commission union and administrative employees are eligible to participate in the system. Benefits vest after ten years of service. Employees who retire at or after age 60 with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.5% of the member's 5 year final average compensation. Effective July 1, 1999, the plan was changed to MERS F55 so that employees with at least 30 years of service and age 55 can retire with full benefits. The system also provides death and disability benefits which are established by State Statute. The Manistee County Road Commission is required to contribute the amounts necessary to fund the Michigan Municipal Employees Retirement System using the actuarial basis specified by statute.

#### **Actuarial Accrued Liability**

The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2003. Significant actuarial assumptions used in determining the investment of present and future assets of 8.0%, (a) inflation, and (b) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority/merit and the assumption that



benefits will increase 2.5% annually after retirement.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2003 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

GASB 25 INFORMATION (as of 12/31/03)

Actuarial Accrued Liability:	
Retirees and beneficiaries current receiving benefits	\$4,506,325
Terminated employees (vested former members)	263,310
Current Employees:	
Accumulated employee contributions including allocated investment income	0
Employer financed	<u>3,219,554</u>
Total Actuarial Accrued Liability	7,989,189
Net Assets Available at Actuarial Value (Market Value is \$3,398,189)	3,721,561
Unfunded Actuarial Accrued Liability	4,267,628

GASB 27 INFORMATION (as of 12/31/03)

Fiscal Year Beginning	January 1, 2005
Annual Required Contribution (ARC)	\$362,016
Amortization Factor Used - Underfunded Liabilities	0.053632

Contributions Required and Contributions Made

MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the year ended December 31, 2003 were determined using the entry age normal actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contributions amounts and percentages for recent years:

Three Year Trend Information for GASB Statement No. 27

Year Ended	Annual Pension Cost of APC	Percentage Of APC Contributed	Net Pension Obligation
12/31/02	186,226	100%	-0-
12/31/03	351,750	100%	-0-
12/31/04	265,876	100%	-0-

Required Supplementary Information for GASB Statement 27

Actuarial Valuation Date	Actuarial Value Assets	Actuarial Accrued Liability (AAL)	Under- Funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
12/31/01	\$3,465,264	\$6,953,429	\$3,488,165	50%	1,563,330	223%
12/31/02	3,454,256	7,396,448	3,942,256	53%	1,528,920	258%
12/31/03	3,721,561	7,989,189	4,267,628	47%	1,526,988	279%

**NOTE 5 - CONTINGENCIES**

The Manistee County Road Commission contracts with the State of Michigan to perform state highway maintenance functions for the State. The cost of the maintenance is then billed to the State of Michigan who reimburses the Manistee County Road Commission for the costs incurred. These cost reimbursement contract expenditures are subject to audit at some future date by the State of Michigan. The amount, if any, of expenditures which may be disallowed by the State of Michigan cannot be determined until the State completes its annual audit of its maintenance agreement with the Manistee County Road Commission. The audit adjustment is accounted for as an adjustment of the current year's expenditures.

The Manistee County Road Commission is party to various legal proceedings incidental to its operations. Certain claims, suits and complaints arising in the ordinary course of operations have been filed against the Manistee County Road Commission. In the opinion of management and legal counsel, all such matters are adequately covered by insurance or, if not so covered, are without merit or are in a very preliminary state, and it is not possible to currently assess the probability of an unfavorable outcome.

#### **NOTE 6 - EQUIPMENT AND TRUNKLINE MAINTENANCE ADVANCE**

The State of Michigan has advanced funds to the Manistee County Road Commission for the purchase of equipment and for trunkline maintenance. Each advance is an annual advance with appropriate adjustments made each year to reflect the current balance based on applicable formula developed by the Michigan Department of Transportation. Because the transaction is an annual advance, the transaction is classified as a liability in the Special Revenue Fund, rather than an item included in Long-Term Debt, in accordance with the instructions of the Local Audit Division of the Michigan Department of Treasury.

#### **NOTE -7- LONG-TERM DEBT**

Michigan Department of Transportation - SIB Loan

During 1999 the Manistee County Road Commission entered into a general loan contract with MDOT and received loan proceeds of \$800,000 in the form of a State Infrastructure Bank Loan. The funds had to be used for a pre-approved purpose, work on Coates Highway in Manistee County. The annual payments are \$133,288 with annual interest assessed at 4%. The remaining payments are:

Date	Payment	Interest	Principal
2005	\$133,288	\$9,490	\$123,798
2006	117,979	4,538	113,441

Michigan Transportation Fund Bonds, Series 2004

This special purpose Construction Fund and its associated Debt Service fund have been established to account for all transactions with regard to the construction of the new Manistee County central facility.

The initial debt is for \$4,500,000 at a rate of 4.375% with a payment schedule as follows:

Date	Payment	Interest	Principal
February 2005	\$114,844	\$114,844	
August 2005	98,438	98,438	
February 2006	98,438	98,438	
August 2006	198,438	98,438	100,000
February 2007	96,638	96,638	
August 2007	196,938	96,638	100,000
February 2008	94,888	94,888	
August 2008	194,888	94,888	100,000
February 2009	93,138	93,138	
August 2009	243,138	93,138	150,000
Next Five Years	1,874,750	824,750	1,050,000
Next Five Years	1,882,378	582,378	1,300,000
Next Five Years	1,956,228	256,228	1,700,000

#### **NOTE -8 - DEFERRED COMPENSATION PLAN**

The Manistee County Road Commission offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. The Manistee County Road Commission does not contribute to the plan.

#### **NOTE -9- RISK MANAGEMENT**

The Manistee County Road Commission manages its liability and property risk by participating in the Michigan County Road Commission Self Insurance Pool and the County Road Association Self Insurance Fund (for workers compensation). These insurance providers are public entity risk pools providing coverage to its members. The Road Commission pays an annual premium to these providers for its insurance coverage. These insurance providers are self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident based on property coverage to its members by internally assuming certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

#### **NOTE 10-CAPITAL ASSETS**

Capital asset activity of the Manistee County Road Commission are listed on the Capital Asset Schedule.

**NOTE -11- CHANGE IN ACCOUNTING PRINCIPLE**

Effective October 1, 2002 the Manistee County Road Commission implemented the provisions of GASB Statement 34, Basic Financial Statements and Management's Discussion and Analysis; GASB Statement 37; Amendment to GASB 34; and GASB Statement 38, Certain Financial Statement Note Disclosures.

## **SUPPLEMENTAL STATEMENTS**

**WILSON, WARD CPA FIRM**

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To the Manistee County Road Commission  
Manistee County  
Manistee, MI

We have audited the combined financial statements of Manistee County Road Commission for the year ended September 30, 2004. Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying schedules, as listed in the table of contents, are presented for purposes of the additional analysis and are not a required part of the combined financials statements. Such information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

*Wilson Ward CPA Firm*

Interlochen, MI  
November 9, 2004

## **GENERAL FUNDS**



**Manistee County Road Commission**  
**Statement of Revenues and Changes in Fund Balance**  
**Budgetary Comparison Schedule**  
**General Fund**

For the Year Ended September 30, 2004

	Original Estimate Year Ended Sept 30, 2004	Amended Estimate Year Ended Sept 30, 2004	Actual Year Ended Sept 30, 2004
<b>Revenue</b>			
Motor Vehicle Highway Funds			
Engineering			\$10,000
Primary			2,040,451
Local Roads			1,525,292
Total Motor Vehicle			<u>3,575,743</u>
Urban			
Primary			159,881
Local Urban			43,282
Snow Removal			140,204
Total Urban			<u>343,367</u>
State Economic Development			
Rural Primary			4,485
Forest Road Funds			73,590
State Trunkline			
Maintenance Contract			691,406
Non-Contract			192,789
Total State			<u>962,270</u>
Federal Construction Funds			
Federal Construction/Heavy Maintenance Programs			
Surface Transportation Program			0
Enhancement			0
Forest Service			0
Total Forest Service			<u>0</u>
Township Contributions			
Township Contributions			345,790
Village Contributions			8,004
Other Governmental Contribution			0
Total Township			<u>353,794</u>
Other			
Salvage Sales			634
Interest and Royalties			19,076
Gain on Sale of Equipment			4,200
Equipment Rental - net			633,219
Permits			47,397
Proceeds from Insurance Claims			21,870
Other			46,406
Total Other			<u>772,802</u>
Total Operating Revenue	0	0	6,007,976
Total Expenditures			<u>6,474,409</u>
Revenues over Expenditures			(466,433)
Revenue from Revolving Fund			364,000
Fund Balance- Beginning			<u>1,693,063</u>
Fund Balance - End of Year			<u>\$1,590,630</u>

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**Manistee County Road Commission  
Statement of Expenditures  
Budgetary Comparison Schedule  
General Fund**

	Original Budget Year Ended Sept 30, 2004	Amended Budget Year Ended Sept 30, 2004	Actual Year Ended Sept 30, 2004	Variance Favorable (Unfavorable)
<b><u>Expenditures</u></b>				
Primary Roads				
Routine Maintenance			\$1,259,789	
Heavy Maintenance			965,511	
Total Primary Roads	1,471,000	1,471,000	2,225,300	(754,300)
Local Roads				
Routine Maintenance			1,270,384	
Heavy Maintenance			1,166,828	
Total Local Roads	1,221,200	1,221,200	2,437,212	(1,216,012)
Category "A" Payments	0		0	
Township/CRA			0	
State Trunkline				
Maintenance Contract	560,000	560,000	608,131	(48,131)
Non-Contract	167,000	167,000	187,954	(20,954)
Total State Trunkline	727,000	727,000	796,085	(69,085)
Equipment Expense - Net	256,000	256,000	286,781	(30,781)
Administrative Expense - Net	1,677,000	1,677,000	85,181	1,591,819
Capital Outlay- Net			724,680	(724,680)
	\$5,352,200	\$5,352,200	6,555,239	(\$1,203,039)
Transfer Out - Debt Service			248,132	
Less Depreciation Distributed			328,962	
Total Expenditures			\$6,474,409	

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

## **CONSTRUCTION FUND**

**MANISTEE COUNTY ROAD COMMISSION**  
**CONSTRUCTION FUND**  
**BALANCE SHEET**  
**SEPTEMBER 30, 2004**

	<u>2004</u>
Assets	
Cash & Investments	\$3,872,140
Due From Other Funds	
Total Assets	<u>3,872,140</u>
Liabilities & Fund Equity	
Accrued Construction Cost	850,453
Fund Equity - Reserved	<u>3,021,687</u>
Total Liabilities & Fund Equity	<u>\$3,872,140</u>

The footnotes are an integral part of these Financial Statements.

**MANISTEE COUNTY ROAD COMMISSION**  
**CONSTRUCTION FUND**  
**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**SEPTEMBER 30, 2004**

Income

Proceeds from Bond Issue	\$4,500,000
Interest	<u>2,395</u>

Total Revenue	4,502,395
---------------	-----------

Expenditures

Costs of Issue	3,127
Construction Expense	<u>1,477,581</u>
	<u>1,480,708</u>

Net Revenue	3,021,687
-------------	-----------

Beginning Fund Balance (Reserved)	<u>0</u>
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Ending Fund Balance (Reserved)	\$3,021,687
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The footnotes are an integral part of these Financial Statements.

## **DEBT SERVICE FUNDS**

**MANISTEE COUNTY ROAD COMMISSION**  
**COMBINED DEBT SERVICE FUNDS**  
**BALANCE SHEET**  
**SEPTEMBER 30, 2004**

Assets	1999 Bond	2004 Bond	Total
Cash & Investments	\$0	\$114,844	\$114,844
Due From Other Funds	0	0	
Total Assets	0	114,844	114,844
Liabilities & Fund Equity			
Accrued Interest	0	19,411	19,411
Due To Other Funds	0		
	0	19,411	19,411
Fund Equity - Reserved		95,433	95,433
Fund Equity	0		
Total Liabilities & Fund Equity	\$0	\$114,844	\$114,844

The footnotes are an integral part of these Financial Statements.

**MANISTEE COUNTY ROAD COMMISSION**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - DEBT SERVICE FUND**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004**

Revenues	1999 Bond	2004 Bond	Total
Taxes	\$0	\$0	\$0
Local Source Revenues	0		
Interest on Investments	0		
Total Revenue	0	0	0
Expenditures			
Principal Repayment	119,037		119,037
Interest on Bonds	14,251	19,411	33,662
Local Source Transfers	0		0
Misc Expense	0		0
Total Expenditures	133,288	19,411	152,699
Excess Revenue Over (Under) Expenditures	(133,288)	(19,411)	(152,699)
Beginning Fund Balance	0	0	0
Transferred from GF	133,288	114,844	248,132
Ending Fund Balance	\$0	\$95,433	\$95,433

The footnotes are an integral part of these Financial Statements.



## **FIXED ASSETS**

**Manistee County Road Commission  
Statement of Changes in Fixed Assets**

For the Year Ended September 30, 2004

	Balance 10/01/03	Additions	Deletions	Balance 09/30/04
<u>Fixed Assets</u>				
Land and Improvements	\$239,977			\$239,977
Buildings	1,679,823			1,679,823
Infrastructure	27,313,356			27,313,356
Equipment				
Road	6,482,258	295,318	96,412	6,681,164
Shop	193,407	15,823		209,230
Office	96,233	3,954		100,187
Engineers	102,472	3,572		106,044
Yard and Storage	823,699			823,699
Depletable Assets	24,065			24,065
 Total Assets	 36,955,290	 318,667	 96,412	 37,177,545
 Accumulated Depreciation				
Buildings	940,035	40,652		980,687
Infrastructure	10,960,518	1,276,321		12,236,839
Equipment				
Road	5,458,534	322,686	96,412	5,684,808
Shop	118,765	6,277		125,042
Office	69,234	6,011		75,245
Engineers	75,428	9,544		84,972
Yard and Storage	392,568	49,422		441,990
 Total Accumulated Depreciation	 18,015,082	 1,710,913	 96,412	 19,629,583
 Net Fixed Assets	 18,940,208	 (1,392,246)	 0	 17,547,962
 * Work In Process		406,013		406,013
Total capital outlay		724,680		
 Total WIP Construction and General Fund		 \$1,883,594		

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS